

6/23/2009 Rural America, Entire Country will Suffer from Cap and Tax

Rural America, Entire Country will Suffer from Cap and Tax

June 23, 2009

From its very beginning in the House Energy and Commerce Committee, H.R. 2454, the American Clean Energy and Security Act of 2009, has been forced upon Members of Congress with little time to consider the significant and potentially damaging consequences of this legislation.

On June 12th of this month, the Committee on Agriculture, on which I serve, held a 7-hour hearing to review this bill. We quickly learned that there is little solid economic analysis on how this legislation will affect our economy. Preliminary evidence makes it clear it will increase the cost of energy and, with it, the cost of everything we use in our lives on a daily basis.

We do know that the Congressional Budget Office has said this bill will raise government revenue by \$846 billion over the next 10 years. In everyday terms, that means a huge tax increase. \$846 billion, however, is just the beginning.

H.R. 2454 is permanent, and after the 10-year period analyzed by the CBO, free carbon allowances are phased out, auctioned carbon allowances are phased in, and total allowances are reduced. This means that future generations will be forced to pay much more than that indicated in the initial 10-year budget estimate.

Although billed as cap-and-trade, in reality Waxman-Markey is a cap and tax bill. Instead of government directly levying a tax, this legislation disguises that tax as a carbon allowance auction that subsequently requires electrical generation companies, petroleum, and biofuel refiners, manufacturers, and others to collect the tax through increased costs.

The consequences go far beyond the price and our ability to turn on the lights in rural America. Kansans, who must always travel great distances to work, to school, and to receive their medical care, will pay disproportionately compared to those who have shorter distances to travel and can use public transportation.

Some had hoped that agriculture and rural America would actually benefit, somehow be made whole under this legislation. Under Waxman-Markey, this clearly is not the case.

Despite great potential for agriculture to sequester carbon, agriculture is not mentioned once in the section that defines offsets. Instead, H.R. 2454 directs the EPA to define the world of carbon offsets. This will lead to few benefits for farmers and ranchers and will allow the EPA to further intrude upon our farms.

EPA has consistently made harmful decisions that fail the test of common sense. Unless agricultural offsets are expressly defined and sole authority is given to the Department of Agriculture, farmers will never see benefits from this legislation.

But even if those offsets are defined and USDA is given that authority, it is difficult to see how agriculture will overcome the increased cost of inputs caused by this cap-and-tax system. In the best case scenario under Waxman-Markey, a farmer could mitigate 10 to 50 percent of the cost of the legislation. In the worst case scenario, farmers and ranchers could find themselves unable to access the carbon offset market at all and be forced to bear the full cost of this legislation. Either way, any hope for profitability in agriculture is bleak.

I am especially concerned about the livestock sector. Unlike crop farmers, ranch operations and feed yards have few opportunities to accumulate carbon offsets.

Much emphasis has been placed upon our nation's economic recovery since the market collapse of last fall. This bill is almost certain to destroy any chance of economic recovery if enacted in its current form.

Congress should be allowed to obtain sound technical and economic analysis and address this legislation's many, many, many flaws. If further legislative debate is denied, then we must do what common sense demands and defeat this bill. Congress rarely gets things right when we have ample time to properly consider policy changes, but it has never made good decisions when rushed by arbitrary timetables.

Congress should abandon the current pace set by the Speaker of the House. Otherwise, Members of Congress will have abdicated their responsibilities and farmers and ranchers, rural America, and in fact, the entire country will suffer the consequences.